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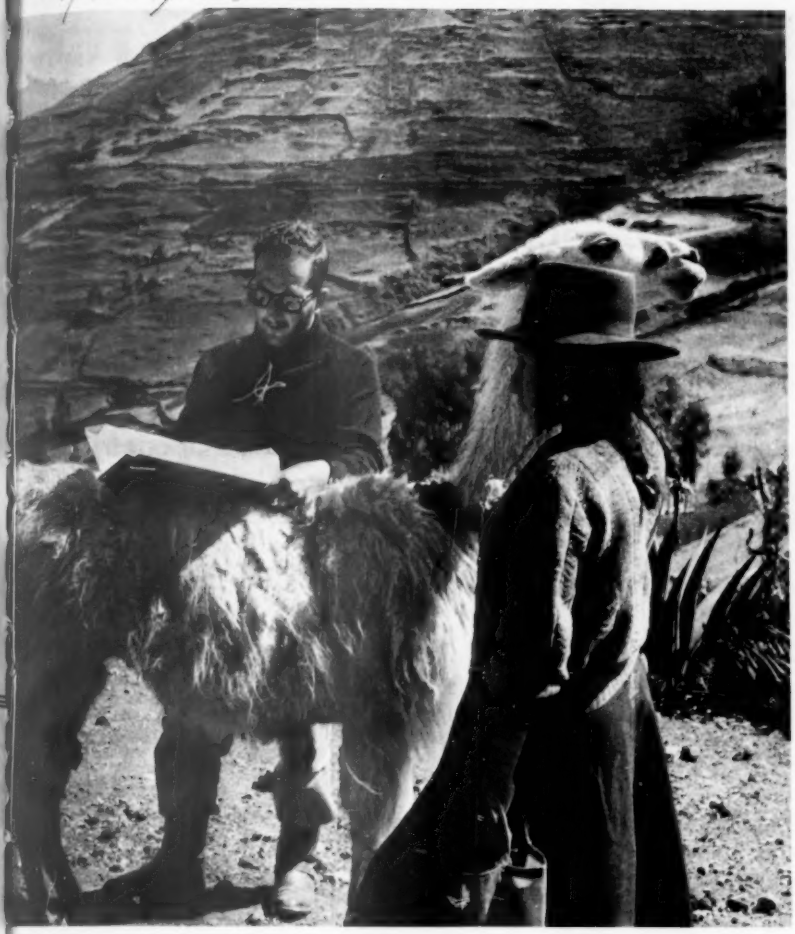

SEPTEMBER 19, 1966

TODAY'S FARM POLICY

DROP IN EEC GRAIN IMPORTS FORESEEN BY DUTCH EXPERTS

CONSUMER PROMOTION FOR SOYBEAN OIL IN JAPAN

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# FOREIGN AGRICULTURE

## Including FOREIGN CROPS AND MARKETS

A WEEKLY MAGAZINE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

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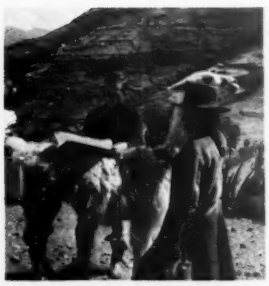

Using a llama as a table, census taker makes notes on agriculture in the high Peruvian Andes. A short statistical look at Peru appears on page 16. (Photo from Food and Agriculture Organization.)

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# Today's Farm Policy Geared to Revolution in Production

*Moving out of the stalemate of the 1950's, our present farm policy is largely dictated by exploding opportunities in world agricultural markets.*

By JOHN A. SCHNITTKER
*Under Secretary of Agriculture*

More than 100 years ago, Oliver Wendell Holmes wrote:

*I find the great thing in this world*
*is not so much where we stand,*
*As in what direction we are moving . . .*
*We must sail sometimes with the wind and*
*sometimes against it,—*
*But we must sail, and not drift, nor lie at anchor.*

In following Holmes' advice, we must, of course, move in the right direction. We must avoid stalemate and be on the move, for the world is going faster today than a century ago, or even a decade ago.

Farm and food affairs may be moving as swiftly as national security and foreign affairs sometimes move. Farm and food policies are no less complicated than these other fields. They may be just as critical to the future of the world.

I have said on previous occasions that impasse was the central fact of U.S. farm policy in the 1950's. The advocates of high rigid supports were dug in on one line, and the partisans of the low flexible supports on the other. Neither could win a major victory. Neither found a way to achieve general and constructive compromises although there was, of course, some constructive legislation.

As the impasse hardened, the surpluses grew, fueled by the research and education of a generation earlier and the prosperity of the war years just past. Programs enacted in 1938 and changed but little by the 1950's became increasingly unable to cope with the new revolution in production. By 1960 the grain and dairy product surpluses approached a national crisis.

This Administration was determined to avoid such an impasse. Out of the stalemate came today's farm policy:

- It is geared to commercial agriculture—to farmers who depend on farming for most of their income, and who have enough resources to earn a good living farming. It also helps small farmers, but being geared to bushels and acres and products, it can't help them enough.
- It is market-oriented policy, consciously designed to reduce the role of the Commodity Credit Corporation in market operations.
- It contributes to achievement of the broader objectives of economic policy.
- It is adapted to the growing importance and the exploding opportunities in commercial world trade in U.S. farm products.
- It is an integral part of our food assistance programs.
- It is a potential major force in world affairs in the next decade.

*This article is excerpted from the address given by Mr. Schnittker before the American Farm Economics Association, at the University of Maryland, on August 22.*

### Policy for commercial agriculture

Commodity price support and production control programs have long helped the larger commercial farmers far more than small farmers. But they were often justified as "for the small farmer."

Today's programs have been designed specifically to provide price and income protection primarily to farmers on adequate-sized farms. They also help small farmers, but it is now clearly understood and widely accepted that most small farmers in the United States cannot attain good incomes and living standards from farming alone. Many will expand to larger farms, but most will not.

The central objective of farm policy is to foster conditions under which those farmers who operate a more or less full-time farm business can earn as much in farming as they could earn in similar employment or from similar investments. We call it parity income for adequate-sized family farms.

This in no way diminishes the importance of public and private efforts to speed rural development and reduce poverty. Other programs—some administered by the Department of Agriculture but primarily programs which are the responsibility of other Departments—must provide the jobs, the education, and the opportunities so essential to better lives for those persons in rural America not on adequate-sized farms. Farm policy can help but it cannot do the job for those people.

### Market-oriented farm policy

History will record that it was commodity surpluses and inflexible programs—not bureaucratic bungling—which expanded the role of CCC in commodity pricing in the 1950's and materially reduced the role of farm markets as a result.

Today it is the absence of stored surpluses, and a degree of program flexibility seldom enjoyed before that make it possible to adapt agriculture's administrative actions to swiftly changing circumstances. These have done much to re-establish the marketplace as the primary factor in farm pricing.

For cotton, tobacco, rice, peanuts, and milk, as much as for the grains, we are determined that CCC acquisitions be no larger than the amount needed to provide strong prices to farmers, and to meet certain food distribution requirements at home and abroad.

The year just ahead will provide a test of our ability to maintain prices in the marketplace well above price support levels—in a period when we expect to add wheat to stocks to shore up our carryover position. Some say it can't be done; we expect to do it just the same.

### Farm policy in the national interest

Full employment, higher and widely distributed real in-

comes, relatively stable prices, and expanded trade are central economic objectives of this Administration.

Since 1960 broad recognition of the fact that there are at least two distinct agricultures in the United States has made it possible to direct farm policy discussion and design to the problems of commercial farmers.

Since 1960 recognition that the prospects for better lives, and higher incomes of many small farmers, lie outside conventional farm policy has finally required serious attention to the needs of rural America for jobs, housing, education, training, and health programs.

Since 1960 gearing farm policy to trade expansion has contributed measurably to the ability of the United States to continue security and development programs abroad.

### Trade-oriented farm policy

A decade ago, U.S. farm policy was increasingly out of touch with the growing importance of U.S. agricultural exports. World prices for farm commodities declined in the 1950's in the wake of war, but U.S. prices continued at or near World War II levels.

Wheat, rice, cotton, feedgrains, and tobacco could be exported only because export payments were used to offset lower world prices, and by direct government sales of CCC stocks at competitive prices. Lack of authority in some instances, and lack of attention to the need for change in others, often left our products at noncompetitive prices for several years.

One of the key purposes behind the design of the wheat and feed grain programs first enacted in 1962 and the cotton program enacted in 1965 was to support prices of U.S. farm products at or near competitive world levels, so that we could compete in world markets with minimum resort to export subsidies.

These ends have now been achieved for the products which make up half the value of all our agricultural exports. Nearly all of our exports which lately required large export payments now move virtually without such payments. No fundamental improvement in our national trade policy stance has been carried out with so little notice or has had so much impact. It is not only of great importance to trade expansion; it is central to our stance in present trade negotiations.

Tobacco and rice programs have not yet been amended in the same fashion, although a number of trial runs have been made in rice. The need to get to a more market- and export-oriented program is as great for these crops as it was for wheat and cotton.

Best of all, the present policy reduces the extent of CCC administered export pricing, although it does not eliminate the need for some CCC actions to assure competition in world markets when our prices are bid above world levels by factors unique to the domestic market.

In the year ahead, U.S. corn will be exported without any export payments, and sorghum grain with little or no export subsidy. Wheat continues for the moment to require export payments averaging 20-25 cents per bushel—far below former levels. U.S. cotton will compete directly in world markets without export payments.

### Farm policy and food assistance

Our foreign food assistance programs were founded on world needs in the wake of World War II. They assumed a new identity under a new law in 1954. For 12 years they have operated under the banner of surplus disposal. In the first 6 years of P.L. 480—until 1961—surplus disposal and surplus accumulation went hand in hand.

Five years of laborious surplus removal—net drawdown of our commodity stocks—began in 1961. Today the real surpluses of grain, milk, vegetable oil, and rice, which made up for many years a first line of defense against shortage at home and hunger abroad, are gone.

During the coming 12 months we will use a part of our wheat reserve, as stocks are reduced to around 400 million bushels by next June 30. Feedgrain stocks—expected to be 47 million tons on October 1 this year—will be reduced during the year ahead to well below anticipated reserve needs of around 45 million tons.

The past 5 years have also been a time of soul-searching about the legitimate long-term role of food in foreign assistance. The P.L. 480 bill now before the Congress is a partial response to this effort.

There are in the bill two major changes from today's food aid program:

- Food aid will no longer be limited to surpluses, but will be made up of commodities determined to be of maximum use in meeting program objectives, and produced for food aid.
- Food aid will to the extent possible (and in words from the President's Message to Congress) "... take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance ..."

Recent studies by USDA and FAO have documented the growing world food gap. With our surpluses used up, we are this year beginning to tap our reserves—the ready reserve of stored grain stocks and the inactive reserve of unused cropland.

At least half the land diverted from crops this year can probably be brought into production in 1967—partly to replenish our reserves and partly to meet current needs.

Abandoning the surplus requirement in P.L. 480 will not bring dramatic changes in the commodity composition of our food aid program. Commodities now important in food aid happen to be those which we produce rather efficiently. But the new concept will allow the mix of commodities to be changed if conditions require it.

Some have speculated that the United States is not serious about using the self-help principle as a guide to eligibility for food aid. Actually, neither we nor the world have a choice in the matter for the longer run.

There are three benchmarks by which to judge the adequacy of agricultural performance—that is, the rate of growth in farm production—in the developing countries: (1) the rate required to match population growth, (2) the rate required to meet minimum nutritional needs within the foreseeable future, and (3) the rate required to meet the economic growth targets while maintaining stable food prices. At present few of the developing countries are doing well by any of these criteria.

The proposed legislation also includes a shift from local currency sales to long-term dollar credit sales. Accumulation of vast quantities of local currencies deposited to the account of the U.S. Government in several of the principal food-aid recipient countries has created some monetary and fiscal problems. Credit terms for the proposed dollar sales (replacing foreign currency sales) will be similar to development loan terms, with a grace period up to 10 years and 40 years for repayment at low interest

rates. Farm products would be available under the same terms as industrial products.

We are beginning the most complex farm policy period in our history as a result of the link now being forged between domestic farm policy and food assistance programs. Today's decisions by U.S. farmers and program administrators must be geared to domestic and export markets and to food aid needs as far as 30 months ahead. It is sobering to reflect upon the recent drought in India, or the dramatic transformation of the USSR from a grain exporter to a consistent grain importer with purchases now contracted 3 years ahead.

### Farm policy in world affairs

The marginal but potentially crucial importance of U.S. agriculture as the source of food for commercial and concessional markets abroad brings us to a sixth feature of today's farm policy—its link to broader international policy.

Everywhere today farm policy decisions by this country are being closely watched and widely reported. Our crop reports are scanned as eagerly in Delhi as in Des Moines. With Canada and Australia we stand as the major source of grain imports for the world. We are the only nation with a large supply of both grain and developed but unused land.

The Soviet Union and China have turned to Canada and Australia to fill the embarrassing grain gap which repeated 5-year plans, crash fertilizer programs, and one Great Leap Forward have left unfilled. The Soviet Union, with vast agricultural resources relative to its population, has imported as much wheat in the past 3 years as India.

Communist China is using nearly 40 percent of all its foreign exchange earnings to import food and fertilizer. China's annual population growth of 15 million persons means it must find food for "another Australia" each year, good weather or bad.

Latin America's per capita calorie supply slips backward slowly but relentlessly. Ominously, sheer numbers seem to thrive best where agricultural production stagnates.

In such a world, food and the means to produce it have become important instruments of foreign policy. As good as dollars for aid if carefully used; more powerful than arms if strategically planned—America's food must be used not simply to meet the margin between subsistence and famine, but as the powerful force it can be for food production and rural development abroad.

# Dutch Research Foresees Steep Decline in EEC Grain Imports by 1970

By ROBERT E. SHEPHERD
*Foreign Regional Analysis Division*
*Economic Research Service*

A study published by a prominent Dutch research institute[1] concludes that the net grain imports of the European Economic Community (EEC) will decline to between 6.3 million and 7.6 million metric tons by calendar 1970, from an annual average of 10.7 million during the 5 years 1959-63.[2]

The Dutch study was undertaken primarily to provide a basis for further research in the development of the EEC market for agricultural products. It contains a comprehensive analysis of the six countries' grain consumption, production, foreign trade, prices, and price and trade policies in the 13 years between 1951 and 1963, from which it forecasts developments to 1970.

Mr. Breedveld points out that the EEC's grain area—45 percent of the arable land—varied only slightly in the period under study, ranging from 21 million hectares (52 million acres) in 1951 to a high of 22 million hectares (54 million acres) in 1959. During the last 3 years of the period, however, it was closer to the 1951 level.

Almost 40 percent of the grain area is in France, while Italy and West Germany have about 30 and 20 percent, respectively. During the 13-year period, West Germany, France, and the Netherlands increased their grain areas by 10, 7, and 3 percent; Belgium-Luxembourg and Italy—the member country with both the lowest yields and the smallest yield increases—decreased their areas by 6 and 3 percent. These geographic shifts have tended to increase the total grain production of the Community.

Improved farm technology and a shift from lower yielding oats and rye to higher yielding barley and corn have led to rapid grain yield increases in most member countries of the EEC. Consequently, total EEC grain output trended upward from 38.2 million metric tons in 1951 to 58.4 million in 1963. Production of barley and corn more than doubled and that of wheat increased by over one-half, while the output of other grains changed only slightly.

### Shifting grain consumption patterns

Grain consumption patterns, which are treated very thoroughly in this study, changed significantly over the period. Higher consumer incomes resulted in less reliance on breadgrains and their products in the diet and increased the consumption of livestock products, fruits and vegetables, and other "quality" foods.

The per capita consumption of grain for food declined from 331 pounds in 1951 to 293 pounds in 1962, or more than 11 percent. Nevertheless, population growth was sufficient to prevent a marked decline in total food use of grains, which—after reaching a peak of 24.3 million metric tons in 1955—stood at 23.2 million in 1962.

Industrial use of grains doubled, going from 1.6 million metric tons and only 3 percent of all uses in 1951 to 3.2 million, or 5 percent, in 1962. This increase was due primarily to the use of barley for brewing, but it was also influenced by the use of corn in the manufacture of starch and glucose.

However, the most striking development in the use of grain by the Common Market countries was the rapid expansion in the quantities of grain fed to livestock. Livestock feeding represented 53 percent of all uses in 1961

[1] J. Breedveld, *Granen in de EEG 1950-1963 (Grain in the EEC 1950-1963)*, Agricultural Economics Institute (LEI), The Hague, Netherlands, 1965. (A limited number of translated copies are available for loan in the Foreign Regional Analysis Division, ERS.)

[2] Years ending June 30, unless otherwise indicated.

compared with only 37 percent 10 years earlier. Only in Italy did total food use of grains outrank total feed use.

Grain feeding of livestock in the EEC increased because of both more livestock and more grain per animal. This study shows that for all countries except Belgium-Luxembourg, increased feeding rates were responsible for a larger share of the increase in the amount of grain fed than were the increased livestock numbers, as the accompanying table indicates.

ANIMAL UNITS AND FEED USE OF GRAIN IN 1962

| Country | Animal units,[1] index, 1951=100 | Total feed use | | Feed use per animal unit, index, 1951=100 |
|---|---|---|---|---|
| | | Quantity | Index, 1951=100 | |
| | | *1,000 metric tons* | | |
| Netherlands | 141 | 4.0 | 274 | 195 |
| Belgium-Luxembourg | 128 | 2.2 | 156 | 122 |
| France | 119 | 10.5 | 176 | 142 |
| West Germany | 123 | 10.9 | 172 | 140 |
| Italy | 111 | 7.1 | 309 | 280 |
| Total EEC | 121 | 34.7 | 200 | 165 |

[1] A concept by which livestock numbers are weighted on the basis of the average quantity of feed consumed per head. The following weights are used in this report: Dairy cows, 1.0; other cattle, 0.51; horses, 1.14; swine, 0.87; sheep, 0.04; and poultry, 0.045.

While the amount of grain fed to livestock doubled—34.7 million tons in 1962 compared with 17.5 million in 1951—there was a shift in the relative importance of the various grains. As a percentage of all grain fed, corn increased from 14 to 30, barley from 18 to 23, and wheat from 9 to 13. Oats and rye became less important, their respective shares decreasing from 41 to 21 percent and from 13 to 7 percent.

### Import uptrend

Although the EEC's grain output expanded rapidly and nonfeed uses remained relatively stable, the increased feeding of grain facilitated a moderate uptrend in imports from third countries. Net imports during the first 5 years of the 13-year period 1951-63 averaged 8.9 million metric tons, compared with an average of 10.7 million during the last 5 years. A comparison of the averages of these earliest and latest 5-year periods reveals that corn imports—nearly tripling—took first place from wheat imports, which were more than halved.

Imports of "other grains," principally sorghum and millet, increased 1½ times in volume while their share of total grain imports doubled. Oat imports more than doubled, though barley imports decreased by 11 percent. In general, while net imports of feedgrains progressed rapidly, those of foodgrains decreased.

As the world's largest exporter of feedgrains, the United States has been in an advantageous position to share in the growth of EEC feedgrain imports. Mr. Breedveld shows that the average annual U.S. share of the rapidly expanding EEC corn imports decreased by only 3 percentage points—from 45 percent to 42—between 1951-54 and 1961-62. In the growing EEC sorghum and millet market, we increased our share from 70 percent to 81, and in the rye market, from 12 percent to 29. We replaced Canada as the primary supplier of barley, increasing our share from 3 percent to 30. We lost first place to Canada in the declining wheat and wheat flour trade, our share dropping from 41 percent to 26. However, our market share of oat imports jumped from 1 percent to 32 percent.

NET GRAIN IMPORTS OF THE EEC

| Grain | Average | | | |
|---|---|---|---|---|
| | 1951-55 | | 1959-63 | |
| | Quantity | Percent of total | Quantity | Percent of total |
| | *1,000 metric tons* | *Percent* | *1,000 metric tons* | *Percent* |
| Wheat | 4,395 | 49 | 2,016 | 19 |
| Rye | 394 | 4 | 381 | 4 |
| Barley | 1,689 | 19 | 1,506 | 14 |
| Oats | 363 | 4 | 755 | 7 |
| Corn | 1,595 | 18 | 4,609 | 43 |
| Other grains | 521 | 6 | 1,304 | 12 |
| Rice | [1]—50 | ([2]) | 110 | 1 |
| Total | 8,907 | 100 | 10,681 | 100 |

[1] Net exports. [2] Less than 1 percent.

Although the EEC is a large net importer of grain, average annual trade between member countries more than quadrupled between 1951-54 and 1961-62, and exports to countries outside the EEC more than tripled. Thus, gross imports expanded faster than net imports, increasing from 10.7 million tons to 15.9 million. The United States supplied 3.6 million and 6.3 million tons in these two periods.

### Outlook for 1970

The study provides three different projections of net grain imports by 1970, based on alternative sets of assumptions. By statistical methods, the trends in production and utilization were calculated over the base period 1951-63. Under the first assumption, these trends were extrapolated until 1970 to provide the original projection of net imports.

Mr. Breedveld, however, feels that past trends in livestock consumption of grain will not be duplicated in the period ending with 1970. Indeed, in revising his projections, he assumes that the grain feeding rates (that is, the quantity of grain fed per animal unit) will stabilize at the 1963 level. As a basis for this assumption, he cites the declining rate of growth in feeding rates from 1957 to 1963. This assumption makes future growth in the feed use of grain entirely dependent on higher animal numbers.

But higher animal numbers depend, themselves, on feedstuff prices and on increased demand for livestock products in the EEC; and these in their turn depend on changes in population and income per capita, which the author assumes will increase annually by 1 percent and 3 percent, respectively. He further assumes that the EEC's degree of self-sufficiency in livestock products will not change by 1970.

Thus, to determine the effect that changes in grain prices will have on feed use, one of the two revised projections is based on constant real grain prices and the other on a 15-percent increase from 1962 (calendar year) to 1970.

As the accompanying table shows, the author's assumption of constant real grain prices lowers projected net imports far below the projection based on past trends and considerably below the 10-13 million tons imported annually during the period 1959 to 1963. The assumption of a 15-percent rise in grain prices reduces projected imports further by 1.3 million tons.

Mr. Breedveld assumes that higher grain prices would not lead to increased production by 1970. He implies, however, that it is not completely realistic to expect production to develop along past trends if EEC grain prices

are increased. He states that if higher prices provide "an extra stimulant toward production increases, the import needs will decline to a still greater degree."

He concludes (1) that it is "very probable" that a "gradual decrease" will occur in net grain imports, although the EEC will "still have a considerable import balance in 1970"; and (2) that the level of imports will also be influenced by the effect of EEC grain prices on the consumption of livestock products.

PROJECTED EEC GRAIN BALANCE FOR 1970

| Item | 1962 trend estimate | Trend projection | 1970 Revised projections, assuming that the real price level of feed grains is— | |
|---|---|---|---|---|
| | | | Constant | Increased 15% |
| SUPPLY | *Mil. metric tons* | *Mil. metric tons* | *Mil. metric tons* | *Mil. metric tons* |
| Production | 56.6 | 68.1 | 68.1 | 68.1 |
| Net imports | 10.8 | 12.3 | 7.6 | 6.3 |
| Change in stocks | —.5 | —.6 | —.6 | —.6 |
| Total supply | 66.9 | 79.8 | 75.1 | 73.8 |
| DISTRIBUTION | | | | |
| Human consumption | 23.2 | 22.6 | 22.6 | 22.6 |
| Livestock feed | 36.6 | 48.9 | 44.2 | 42.9 |
| Other uses | 7.1 | 8.3 | 8.3 | 8.3 |
| Total distribution | 66.9 | 79.8 | 75.1 | 73.8 |

**Comments.**—*This review does not constitute an endorsement of the LEI study's conclusions, but presents them simply as the views of some outstanding Dutch experts on possible future trends in the grain economy of the Community to which the Netherlands belongs. U.S. grain exports to the EEC in 1965, valued at $430 million, represented 31 percent of U.S. agricultural exports to the Community and 18 percent of global U.S. grain exports.*

*It is too early to determine whether the study's projections of lower imports are valid. There is no reason to believe that production will be below the projected 68.1 million tons. France, in particular, has much potential for increased production. The key then becomes whether grain feeding rates have stabilized and will remain stable for almost 4 more years.*

*Grain feeding rates in the EEC are low by U.S. standards, European livestock farmers having traditionally relied much more upon forage. The study presents no data beyond 1962 on feeding rates per animal unit. Data for 1963 to 1965 show a reduced rate of growth in total feed utilization and reduced net imports—lower quantities, lower in each case than this study's trend estimates for those years. However, preliminary estimates indicate some 1966 recovery in net imports; and European interest in grain feeding is definitely on the upswing.*

*To the extent that France is able to market more of its growing grain surplus—primarily soft wheat—with its partners, there will be a reduction in gross imports of grain from third countries. Thus, the United States could be competing for a share of a smaller market by 1970. In any event, France will increasingly compete with the United States and other major grain exporters.*

# Syrian Grain Production Falls Sharply, Large Imports Needed

Syrian production of grain this year is believed to have fallen to one of the lowest levels in recent history, with the major crops—wheat and barley—off sharply. As a result, this usual net exporter of grain may have to import over 400,000 metric tons of wheat and barley in 1966-67.

### Major grains plummet

Government estimates of wheat and barley production indicate declines of 47.5 and 56.6 percent, respectively, from the 1965 level for totals of 550,000 and 300,000 metric tons. However, trade sources and farmers consider these estimates too high.

Area planted to wheat is about 18 percent less than the estimated 3.2 million acres in 1965. Yields are just about half the average of 10 bushels per acre and are the lowest recorded over the last 10 years.

Plantings of barley were about 10 percent lower than in 1965, totaling 1,685,000 acres. Yields, at 8.2 bushels per acre, are the lowest on record for the last 5 years

Reasons given for the poor results were delays in planting caused by early rains and cold weather in the fall, lack of rainfall later on, and use of low-quality seed.

Production of grain sorghum and corn—still relatively minor grains in Syria—fared much better. No official estimates are available, but trade sources set the crops at around 45,000 and 10,000 tons respectively. For sorghum, the output is the same as in the previous year, while for corn, it is up some 94 percent. The rise in corn production came mainly because of a 60-percent increase in area.

The severity of the shortage has forced Syria to ban all exports of grain and feed in 1966-67 and to begin arranging for purchases.

Thus far, the Ministry of Supply has arranged to import 205,000 metric tons of wheat for local consumption and seed. Suppliers are the United States, with 115,000 tons; Bulgaria, 50,000; Romania, 25,000; and France, 15,000. Another 100,000 tons will be contracted for shortly.

Also, the country will need 100,000 metric tons or so of barley—major feed grain used in Syria.

In the past, both of these products have been important exports, shipments of them totaling 100,000 and 250,000 tons, respectively, in 1965-66.

### Other government actions

To induce merchants to deliver wheat and barley to the government-run General Board for Cereals and Flour Mills (GBCFM), the Syrian Government has allowed an internal grain and feed market, free from government control, and has required that all growers and merchants who want to take advantage of the high prices in the nonproducing Muhafazats sell half of their wheat and barley to the GBCFM.

The government has also subjected the trade among the Muhafazats to transport licenses and raised its 1966-67 guaranteed producer prices for wheat and barley by 33 percent and 30 percent, respectively.

# Caribbean Free Trade Association To Become Effective Soon

A free trade pact, the first major step in the establishment of a Caribbean Economic Community, is scheduled to come into force by the end of this month. Three countries are involved—the British territories Antigua and Barbados, and Guyana, formerly British Guiana.

The agreement establishing the Caribbean Free Trade Association—or CARIFTA, as it is called—was signed by the governments of the three countries on December 15, 1965. The principal aim of the pact is to reduce and gradually remove trade barriers between participants.

### Prospects good for U.S. trade

There are encouraging signs that the agreement will open additional trade opportunities for U.S. products, especially raw materials which may be processed in the area. While the total population of the three countries is only slightly over 1 million, the tourist industry has grown in recent years and can be expected to add significantly to the potential market for U.S. agricultural products. In Barbados alone, tourism in 1965 increased 33 percent over the preceding year.

Total U.S. exports to Guyana and Barbados in 1965 amounted to nearly $29 million, $6 million of which were agricultural products. In the first half of 1966, total exports were running at an annual average of $30 million, with agricultural exports showing an increase of about a half million dollars. By comparison, U.S. exports in 1958 amounted in value to $12 million, including agricultural exports of $4 million.

Trade with Antigua has been too small to be extracted from statistics for the Windward and Leeward Islands, but U.S. exports to these islands in 1965 totaled $13 million ($3 million in agricultural products). For the first half of 1966, they were valued at $8.3 million.

### Provisions of the Pact

The free trade area is intended to create industrial opportunities and investment incentives by "the harmonious development of Caribbean trade." The effects of the agreement are already evident in increased investor interest, although its success has yet to be demonstrated.

The essential provisions of the Caribbean pact are:

1. Within a short time all import duties will be removed from goods which could be deemed to have been manufactured in the three territories. This means goods which have been either wholly produced in the area or goods whose import content does not exceed in value 50 percent of the f.o.b. export price. Exceptions include special arrangements for the progressive elimination of import duties on paints, detergents, metal and wood furniture, and several other nonagricultural items.

2. The governments shall not apply revenue duties and internal taxation directly or indirectly to imported goods, with the exception of rum, for which special arrangements are provided for the progressive elimination of protective revenue duties.

3. No quantitative import or export restrictions shall be applied, except for margarine exports (animal, vegetable, or mixed) of Barbados and Guyana.

4. Member territories shall not maintain or introduce forms of aid for exported goods. Aid in this context constitutes currency retention "bonus" schemes, subsidies, and special tax exemptions.

### May attract other territories

The intratrade of CARIFTA has not been heavy: Guyana exported $2.1 million worth of goods to Barbados in January-October 1965, while Guyana's imports from Barbados were only $.3 million. Antigua's trade with both territories has been very small. The preamble of the agreement, however, states the objective of "the ultimate creation of a customs union and a viable economic community for all Caribbean Territories who so desire." Thus, it is very likely that the Association will serve as the basis which will attract other territories and countries, and enhance trade relationships in the Caribbean.

For all three countries preferential Commonwealth treatment will be continued.

—GABRIELLE P. RICE
*Foreign Development and Trade Division, ERS*

# Proposal Made To Amend U.S. Meat Export Regulations

A proposal has been made by USDA's Consumer and Marketing Service to amend its Federal meat inspection regulations to require that export certificates accompany all shipments of meat or meat products going abroad.

The proposal would strengthen controls over exported meat products and would also assist inspectors of the U.S. Department of Treasury's Bureau of Customs in clearing shipments for export.

Current regulations require that all meat and meat products exported to foreign countries be inspected and passed as wholesome by Federal officials, and be stamped with the marks of Federal inspection. Some countries, however, require a certificate as well as the stamp to verify that the inspection has taken place. With some countries requiring export certificates and others not, customs officials have found it difficult to readily recognize meat products eligible for export.

The proposed amendment would require that any meat going to any foreign destination have both the Federal meat inspection stamp and an export certificate before it could be cleared for shipment. The stamp would continue to be placed on each shipping unit for the meat, and a single certificate would cover the whole shipment. Copies of the certificate would be issued to the shipper and through him to the agent of the carrier transporting the goods. The agent would then be required to file a copy of the certificate with the customs officer.

Interested persons are invited to submit written comments on the proposed amendments, which were published in the Federal Register September 2. Comments should be submitted in duplicate to the Hearing Clerk, U.S. Department of Agriculture, Washington, D.C. 20250, not later than November 1. Comments will be available for public inspection.

# U.S. Soybean Producers and Japanese Crushers Promote Consumer Use of Soybean Oil in Japan

Japanese oilseed crushers and U.S. soybean producers are joining forces in a consumer promotion program designed to increase Japanese demand for vegetable oil, particularly soybean oil. This program—first large direct-advertising campaign to promote use of the oil in Japan—was launched on August 22 with the signing in Tokyo of a program contract between Japan Oilseed Processors Association and American Soybean Association.

Details of the promotion are not yet settled, but it is likely that a variety of approaches to the consumer will be used. Part of the campaign will be generic (or institutional) media advertising by individual Japanese oil producers.

Oil promotion will be carried on year round through December 1967, but will be most active during the March-through-May and December-through-November periods. Emphasis will be given to educating consumers on proper handling of oil in the home and on new uses.

With the inauguration of the oil-promotion campaign, the American Soybean Association begins a new phase of the successful market development project for U.S. soybeans in Japan that it has carried on in cooperation with FAS for nearly 10 years. A previous phase of this program, a market research study, documented the possibilities and reasons for strengthening the Japanese market for U.S. soybeans by increasing the use of soybean oil. (See *Foreign Agriculture*, March 21, p. 11.)

Currently, Japan's consumption of all fats and oils is notably low—about 15 pounds per person a year. This is not quite half the per capita intake recommended by the World Health Organization, less than one-third U.S. consumption, and less than one-fourth the consumption of the Netherlands. Although Japan's fat consumption has grown steadily during the past few years, indications are this trend will level off or turn down soon unless special efforts are made to encourage greater use of fats and oil.

### Main uses

Today soybean oil is Japan's leading edible oil, accounting for about 45 percent of all the fats and oils used in food or food preparation. Its use has increased steadily in recent years, especially since the freeing of soybean imports by the Japanese Government in 1961.

Practically all of the soybean oil consumed in Japan is made from U.S. soybeans crushed in Japan. More than 80 percent of the soybeans imported by Japan come from the United States, and most of these are crushed for oil and meal. Domestic soybeans, which account for about 10 percent of the total supply, are used primarily in Japanese traditional foods; since they have a low fat content they are not suitable for crushing for oil. Imports from Mainland China account for most of the remainder of soybeans used by Japan. These have been supplying a growing percentage of Japanese imports in recent years, particularly those used in foods.

Soybean oil is marketed in Japan chiefly as the main ingredient of "tempura oil" or "edible oil," widely used in Japanese households and restaurants for tempura cooking—a form of deep frying. Only a little is used in the production of margarine, shortening, or products sold as "salad oil." These salad oils are sometimes used by the Japanese for frying as well as to dress salads.

In the past most of the fat in Japanese food preparation has been used in liquid form. The use of hard or hardened fats—butter, margarine, lard, and other shortening—has been low but is increasing.

### Biggest export market

Japan today is the largest single importer of U.S. soybeans, buying for dollars about one-fourth of all soybeans exported as beans and a relatively small amount of soybean meal and cake. Japanese imports of U.S. soybeans amounted to a record 53.8 million bushels in calendar year 1965.

The U.S. soybean crop has grown from an annual production of 180 million bushels a year at the end of World War II to over 844 million bushels in 1965. As the crop has grown, so has industry's dependence on foreign markets, which took close to half of the crop in fiscal year 1966.

# Most PIK Export Certificates Discontinued

Payment-in-kind (PIK) export commodity certificates were discontinued for all except certain limited uses on August 26 by USDA's Commodity Credit Corporation. With the exception of short-term CCC export credit sales and existing barter commitments, export payments will be made in cash—as they were before the PIK program was begun in 1956. CCC stocks continue to be available for purchase.

On outstanding registrations for export subsidies, exporters may choose between receiving subsidy in cash or in certificates. The same principle also will apply to payments under outstanding CCC barter commitments and CCC sales contracts.

Holders of export commodity certificates—except those issued for cotton and the CCC credit sales program—may redeem the certificates either in cash at par value or in CCC commodities.

Barter contractors under future commitments will receive cash payments instead of certificates.

As in the past, CCC wheat sales for export will be made only for export commodity certificates at the domestic market price. The export subsidy, however, now will be paid in cash rather than in certificates. CCC will continue to make cash sales of wheat for unrestricted use.

Export sales of CCC grain sorghum—except for CCC credit sales—will also be made only for export commodity certificates. Corn in CCC stocks is not now being sold for export.

In the past, export commodity program certificates have been earned by the exporting of wheat, flaxseed, linseed oil, and rice. At times when export subsidies were needed for dairy products and feed grains, exporting these commodities has also earned the certificates.

Export commodity program certificates have also been issued under barter and short-term credit sales for dollars when the farm commodities were obtained from stocks in the open market.

# Aggressive Drive To Meet Strong Competition Wins Presidential "E" for Pillsbury Company

Meeting stiff competition in foreign markets and introducing new products to overseas customers have won for the Pillsbury Company of Minneapolis, Minn., a Presidential "E" Award for export expansion.

The "E" citation was presented to Paul S. Gerot, Pillsbury's Chairman of the Board, by Secretary of Commerce John T. Connor in ceremonies at the Department of Commerce, Washington, D.C., in late August.

Pillsbury's chief business is in wheat flour, a product which every developed country produces and one of the first a developing nation strives to produce. Securing markets for its wheat flour, therefore, required that Pillsbury offer a product superior to that produced either in the importing country or by chief competitors for that country's market.

For example, in Chile chief competition came from European and Argentine mills. Yet within 5 years, the company managed to bring its sales up from 1,380 hundredweights of flour to 97,000 hundredweights through quality control, selected blends of wheat, technical assistance to bakers, and point-of-sale display material.

In the Netherlands and other Common Market countries, conventional flours cannot gain entry because of the EEC tariff. Here, Pillsbury introduced a turbomilled flour on which it holds exclusive patent rights. This technically advanced product is enjoying increasing popularity in the Netherlands despite the EEC tariff since no flour produced in Common Market countries can compete with it.

Pillsbury was also able to convince bakers in some Middle Eastern countries to upgrade the quality of the flour they use. In these countries, demand had been for low-quality, low-priced flour. Pillsbury's promotional efforts resulted in a favorable attitude toward its high-quality flour and a stronger competitive position for American flour in general.

Introducing its consumer-packaged flour into some foreign markets likewise presented problems for Pillsbury. In Trinidad, for instance, Canadian flour enters under a preferential tariff and has long been dominant among both consumers and the trade. In the Dominican Republic, the price of imported flour is well above that produced by the local mill, as well as above what the people can afford to pay, creating almost insurmountable problems. Advertisements projecting the quality image of U.S.-milled flour, plus recipe booklets and in-store displays have helped develop markets for the Pillsbury brand in areas like these.

On several occasions, Pillsbury found its flour customers becoming self-sufficient and cutting off imports. To combat this trend and to maintain and even increase its foreign sales, the company built flour mills in the Philippines and Venezuela, increased the number of products in which it deals, adding a larger line of baking and dessert mixes, and stepped up its advertising and promotion.

Despite baking and eating habits different from those in the United States, Pillsbury has carved out markets in Europe, Latin America, Africa, and the Middle East for its mixes. Its campaigns on behalf of mixes include advertising and instructions in foreign languages; demonstrations in supermarkets, schools, and before women's clubs; distribution of cookbooks and other educational materials; and trade-fair participation.

Other items Pillsbury has marketed successfully are noncaloric sweeteners and presweetened drink-mixes.

The firm's experience with noncaloric sweeteners in Jamaica shows what one company can do in introducing a product previously unknown to a foreign market. In less than a year, the company's sales went from nil to 2,400 consumer packages a month as a result of advertising to create a desire for weight control, supermarket promotion stressing benefits of proper weight control, sampling, doctor education, and distribution of low-calories recipes.

Pillsbury also has broadened its line and helped small-scale exporters of noncompetitive products through its "mother hen" marketing program. Under this program, across-the-board export services are extended to producers of frozen fruits and vegetables, specialty foods, and many other items.

# Japan Ups Its Use of U.S. Dehydrated Alfalfa

With Japan's poultry and livestock industries expanding at a rapid pace, attention is focusing on production of high-quality mixed and formula feeds. Dehydrated alfalfa, a high-protein feed ingredient for which the United States is almost Japan's sole source of supply, is finding increased use in these feeds, and Japan now ranks as the biggest U. S. market for dehy.

Partly responsible for Japan's growing use of dehydrated alfalfa has been the country's swing toward greater use of grain sorghum in place of higher priced corn in mixed feeds. Over the past 18 months, sorghum has been the lowest priced feedgrain on the world market. However, it is low in xanophyll, a form of Vitamin A. Dehy is a rich source of Vitamin A and is also high in protein, making it an excellent companion to sorghum.

When used in feed for layer hens, end product of 70 percent of the feedgrains and other feed ingredients moving into Japan, the xanophyll contained in dehy provides the deep yellow color the Japanese prefer in egg yolks. This chemical also produces a preferred pigmentation in broiler chickens.

Japan's imports of U.S. dehydrated alfalfa rose from 152,010 metric tons in 1964 to 231,801 tons valued at $13 million in 1965. The 1965 gure represents 99.1 percent of Japan's total takings of dehy that year. Imports of U.S. dehy are expected to reach 300,000 tons in 1966.

Before 1964, statistics on Japanese imports of dehy were lumped together with those on other prepared feedstuffs. Trade circles estimate that in the early years of importation, which began in 1960, the volume approximated 30,000 metric tons annually.

The U.S. Feed Grains Council, cooperator with FAS in overseas market development, has been promoting dehy along with other U.S. feedgrains and feed ingredients in Japan and expects to continue to encourage its increased use in livestock and poultry rations. Emphasis will be placed on fostering production of more feeds with a 3-percent alfalfa content, especially those feeds containing rising levels of grain sorghum.

## U.S. Cigarette Exports Up Slightly

U.S. exports of cigarettes during the first half of calendar 1966 totaled 11,726 million pieces—up 3.1 percent from those of January-June 1965. The export value was $54.1 million, compared with $51.9 million last year.

The major foreign outlets for U.S. cigarettes in order of importance were: Hong Kong, Spain, the Netherlands Antilles, Paraguay, France, and Kuwait—each of which took at least 400 million pieces in January-June 1966. Hong Kong and Spain together took nearly 2,100 million.

U. S. EXPORTS OF CIGARETTES

| Destination | January-June | | | Change, 1966 from 1965 |
|---|---|---|---|---|
| | 1964 | 1965 | 1966 | |
| | *Million pieces* | *Million pieces* | *Million pieces* | *Percent* |
| Hong Kong | 1,191.4 | 1,379.4 | 1,136.2 | —17.6 |
| Spain | 704.3 | 706.6 | 954.1 | +35.0 |
| Netherlands Antilles | 546.1 | 677.9 | 689.3 | + 1.7 |
| Paraguay | 277.3 | 427.6 | 688.1 | +60.9 |
| France | 558.5 | 537.4 | 480.2 | —10.6 |
| Kuwait | 723.4 | 623.7 | 430.1 | —31.0 |
| Malaysia [1] | 556.1 | 646.5 | 421.4 | —34.8 |
| Germany, West | 262.4 | 263.4 | 365.7 | +38.8 |
| Switzerland | 140.2 | 229.2 | 331.8 | +44.8 |
| Panama | 375.0 | 334.9 | 331.4 | — 1.0 |
| Netherlands | 273.9 | 230.0 | 325.2 | +41.4 |
| Italy | 363.9 | 344.2 | 322.4 | — 6.3 |
| Canary Islands | 257.2 | 253.4 | 288.2 | +13.7 |
| Ecuador | 208.9 | 306.7 | 277.1 | — 9.7 |
| Denmark | 222.6 | 202.4 | 266.1 | +31.5 |
| Peru | 300.5 | 253.3 | 258.1 | + 1.9 |
| Lebanon | 207.8 | 225.6 | 256.1 | +13.5 |
| Belgium-Luxembourg | 320.6 | 249.0 | 230.3 | — 7.5 |
| Australia | 270.9 | 262.9 | 211.3 | —19.6 |
| Yugoslavia | 39.6 | 128.5 | 199.7 | +55.4 |
| Sweden | 348.9 | 245.9 | 181.8 | —26.1 |
| Morocco | 146.5 | 131.2 | 177.1 | +35.0 |
| United Kingdom | 180.7 | 114.3 | 172.7 | +51.1 |
| Arabian Peninsula States | 54.5 | 106.2 | 156.7 | +47.6 |
| Japan | 297.8 | 225.4 | 143.5 | —36.3 |
| Other | 2,621.2 | 2,272.2 | 2,431.6 | + 7.0 |
| Total | 11,450.2 | 11,377.8 | 11,726.2 | + 3.1 |
| | *1,000 U.S. dol.* | *1,000 U.S. dol.* | *1,000 U.S. dol.* | *Percent* |
| Value | 52,019 | 51,865 | 54,078 | + 4.3 |

[1] Includes Singapore.
Bureau of the Census.

## U.S. Imports of Tobacco Are Smaller

U.S. imports of unmanufactured tobacco for consumption totaled 88.6 million pounds in January-June 1966—down 9 percent from those of the first half of 1965. Cigarette leaf imports in January 1965, however, were unusually large, possibly to compensate for a low figure for December 1964. Therefore, the drop in total imports is less dramatic than the comparative data indicate.

Cigarette leaf imports for January-June 1966 totaled 68.6 million pounds, compared with 72.2 million for the first half of 1965. Turkey and Greece were the major suppliers of cigarette leaf, with combined imports of 59.9 million pounds.

Imports of scrap tobacco dropped from 22.2 million in January-June 1965 to 17.3 million this year, mainly because of much smaller duty-paid quantities from Colombia, the Dominican Republic, and Brazil. Imports from Cuba continued to be recorded as withdrawals from stocks which arrived prior to the embargo of February 1962.

U. S. IMPORTS OF UNMANUFACTURED TOBACCO [1]

| Kind and origin | January-June | |
|---|---|---|
| | 1965 | 1966 |
| | *1,000 pounds* | *1,000 pounds* |
| Cigarette leaf: | | |
| Turkey | 42,775 | 41,603 |
| Greece | 18,760 | 18,249 |
| Yugoslavia | 6,962 | 5,485 |
| Rhodesia [2] | 886 | 1,100 |
| Lebanon | 955 | 1,022 |
| Other | 1,878 | 1,108 |
| Total | 72,216 | 68,567 |
| Cigar (stemmed and unstemmed) filler: | | |
| Mexico | 485 | 643 |
| Colombia | 20 | 425 |
| Dominican Republic | 349 | 369 |
| Brazil | 273 | 329 |
| Honduras | 181 | 222 |
| Cuba | 474 | 148 |
| Paraguay | 219 | 91 |
| Other | 178 | 204 |
| Total | 2,179 | 2,431 |
| Cigar wrapper, total | 106 | 154 |
| Scrap: | | |
| Philippines | 7,949 | 8,079 |
| Colombia | 2,992 | 1,877 |
| Dominican Republic | 4,593 | 1,855 |
| Brazil | 2,513 | 1,627 |
| Cuba | 743 | 821 |
| Other | 3,438 | 3,070 |
| Total | 22,228 | 17,329 |
| Stems, total | 531 | 140 |
| Grand total | 97,260 | 88,621 |

[1] Includes withdrawals from bond for consumption and releases from customs immediately upon arrival. [2] Includes Zambia and Malawi.
Bureau of the Census.

## Malaysian Duty Changes Affect Tobacco

The Government of Malaysia has announced the removal of Commonwealth preferential rates of duty on a wide range of articles; tobacco was among the articles affected. The duty on unmanufactured tobacco from Commonwealth countries had been 7 cents per pound less than that on tobacco from non-Commonwealth sources.

Malaysia is a good market for U.S. leaf tobacco. Other principal suppliers in recent years have included Rhodesia, India, and Canada.

## Nigeria Lowers Duty on Tobacco

The import duty on unmanufactured tobacco imported into Nigeria by licensed manufacturers for the manufacture of cigarettes has been reduced from $2.80 per pound to $2.14 per pound. Effective June 18, the reduction, was made to lower the cost of producing cigarettes locally. The United States is the major supplier of this type of tobacco to Nigeria.

Import duties on foreign cigarettes and cigars were increased in March 1966 from $7.70 per pound to $9.76.

## Jordan's Cigarette Output Down

Jordan's cigarette output during 1965 totaled 2.6 million pounds—down 20.4 percent from the 1964 high of 3.2 million but still 11.3 percent larger than the 1963 figure of 2.3 million.

Production of tombac last year totaled 100,500 pounds, compared with 121,800 pounds for the previous year.

## Sudan Lowers Cotton Prices

The Government of Sudan recently announced a major change in its cotton marketing policies. The main features of the new policy are: (1) The introduction of a 50-piaster per cantar (1.45 cents per lb.) rebate of export duty for new contracts registered for shipment through December 31, (2) a complete prohibition of bilateral cotton agreements, (3) a downward adjustment of Gezira Board auction price minimums, and (4) the continuation of previously concluded trade agreements with Communist countries.

The downward revision in minimum prices was necessary in light of the present world market situation for extra-long staple cotton—i.e., the large unsold stocks of this type from Sudan (over 400,000 bales of 480 lb. on Aug. 1, 1966) and the likelihood of a large new crop in both Egypt and Peru. It should be noted that Sudanese cotton still to be shipped under barter deals previously concluded and cotton already covered by contracts of sale prior to the date of this announcement (Aug. 30) will not be eligible for the 50-piaster rebate of export duty.

Recent bidding at the Gezira Board auctions established that the minimum prices for lowest grade Sakels and Lamberts have been reduced by 2.05 U.S. cents per pound, and those for medium grade Lambert at least by 2.90 cents.

## Finnish Cotton Imports Higher

Imports of raw cotton by Finland in the August-June period of 1965-66 totaled 83,900 bales (480 lb. net), 16 percent above the 72,541 bales imported in the same months a year earlier. Imports from the United States during the period under review were 15,000 bales, compared with 14,000 a year earlier. Imports from the USSR were 66,000 bales, compared with 55,000 a year earlier. Egypt, Mexico, and Peru also supplied small amounts.

## Cashew Prices Substantially Higher

The pressure of a smaller 1966 crop of cashews in both India and Eastern Africa (down 10,000 short tons from the 90,000-ton 1965 crop in India and 32,000 tons below the 132,000-ton Mozambique crop) has contributed to substantial price increases in both the kernel and raw nut markets.

Quotations for raw nuts rose to $229.71 per short ton, c.i.f. Cochin, on July 1—the highest on record. Kernels also rose to the unprecedented level of 79 cents per pound, c.&f. New York, on May 1, only to drop back by July 1 to 71 cents—still a high level. This drop was attributed to Indian packers' refusal to honor Russian contracts on rupee accounts as a result of devaluation of the rupee in June. U.S. purchases on dollar contracts, however, were not affected. In July, the USSR agreed to increase the rupee value of their contracts by 47.5 percent. This allowed a resumption of Russian purchases, and prices again rose to 75 cents in late July.

INDIAN CASHEW NUT PRICES

| Item | 1963 | 1964 | 1965 | 1966 |
|---|---|---|---|---|
| | *U.S. dol. per short ton* | *U.S. dol. per short ton* | *U.S. dol. per short ton* | *U.S. dol. per short ton* |
| African raw nuts:[1] | | | | |
| Jan. 1 | 107.81 | 151.88 | 161.25 | 168.75 |
| Feb. 1 | 140.62 | 145.31 | 180.38 | 187.50 |
| Mar. 1 | 117.19 | 150.00 | 182.81 | 201.56 |
| Apr. 1 | 131.25 | 146.25 | 178.13 | 215.63 |
| May 1 | 125.62 | 144.38 | 185.63 | 225.00 |
| June 1 | 118.12 | 150.00 | 187.50 | 225.00 |
| July 1 | 111.56 | 160.31 | 197.81 | 229.71 |
| Aug. 1 | 118.12 | 189.50 | 184.69 | — |
| Sept. 1 | 131.25 | 181.88 | 176.25 | — |
| Oct. 1 | 136.88 | 172.50 | 177.19 | — |
| Nov. 1 | 137.81 | 173.44 | 168.75 | — |
| Dec. 1 | 161.25 | 161.25 | 159.38 | — |
| | *U.S. cents per pound* | *U.S. cents per pound* | *U.S. cents per pound* | *U.S. cents per pound* |
| Kernels:[2] | | | | |
| Jan. 1 | 43.0 | 54.5 | 58.0 | 61.0 |
| Feb. 1 | 42.0 | 52.5 | 61.0 | 64.0 |
| Mar. 1 | 44.0 | 56.0 | 59.0 | 68.0 |
| Apr. 1 | 44.5 | 57.0 | 58.0 | 73.0 |
| May 1 | 45.0 | 57.0 | 57.5 | 79.0 |
| June 1 | 44.5 | 59.0 | 59.0 | 74.0 |
| July 1 | 43.5 | 65.0 | 63.0 | 71.0 |
| Aug. 1 | 46.5 | 70.0 | 65.0 | — |
| Sept. 1 | 48.5 | 69.0 | 63.0 | — |
| Oct. 1 | 53.0 | 68.0 | 63.0 | — |
| Nov. 1 | 54.0 | 67.0 | 62.0 | — |
| Dec. 1 | 57.0 | 60.0 | 59.5 | — |

[1] Angochees, c.i.f. Cochin. (Converted from rupees at 1 rupee = 21 U.S. cents through June 1966 and 1 rupee = 13.33 cents thereafter.) [2] 320 count in 25-pound tins, c.&f. New York.

Another contributing factor to the rising raw nut market is the increasing competition from mechanized East African shelling industries for raw nuts. This has become a significant factor only during the current season, as these industries have just begun to come into full production. The kernel market has received an additional boost from the sharply increasing demand for shelled cashews—particularly from the USSR, whose purchases rose from 10,000 short tons in 1963 to nearly 15,000 tons in 1965.

## Greek Fig Support Prices Are Set Higher

The Greek Government has set the 1966-crop prices to be paid to growers for dried figs and the prices that exporters will have to pay to the Cooperative Organization SYKIKI. This organization, as in the past, is to carry out the purchase and fumigation of dried figs.

The 1966 dried fig prices to be paid to the growers are about three-fourths of a cent, or about 10 percent, higher than the 1965 prices. A comparison of prices for the 2 years follows:

| | 1966 | 1965 |
|---|---|---|
| Prices to growers: | *Cents* | *Cents* |
| Grade: | *per lb.* | *per lb.* |
| A | 8.3 | 7.6 |
| B | 7.4 | 6.6 |
| C | 7.1 | 6.3 |
| Prices to be paid by exporters: | | |
| Grade: | | |
| A | 8.3 | 6.5 |
| B | 6.0 | 5.6 |
| C | 5.4 | 5.2 |

The Greek Government has decided to grant a $500,000 subsidy to cover the gap between growers' and exporters' prices. A total of $370,000 was allocated for the

same purpose for the 1965 crop. The government has allocated $2,500,000 to SYKIKI to start its purchases of dried figs from the growers immediately.

## Italy Has Large 1966 Almond Crop

Italy's 1966 commercial almond harvest is now estimated at 43,000 short tons of shelled nuts—only marginally above the revised 1965 estimate of 42,000 tons but well above the 1960-64 average production of 35,100. This makes the fourth consecutive large crop, which is contrary to the biennial production cycle of good and bad years characteristic of almonds in the Mediterranean region. This may be partly explained by the fact that the very small 1962 crop was followed by an only moderately large crop, breaking the cycle somewhat. (Very small crops are believed to be usually followed by very large ones, and vice versa.)

Italy's 1965-66 exports are estimated at 35,000 short tons, shelled basis, against 28,300 the year before and 1959-63 average shipments of 31,000. The 1966-67 exports are tentatively expected to total about 34,000 tons. This would leave a carryout of only 3,000 tons—the same as the carryin for the season.

COMMERCIAL SUPPLY AND DISTRIBUTION OF ITALIAN ALMONDS
[Shelled basis]

| Item | 1964-65 | 1965-66 [1] | 1966-67 [2] |
|---|---|---|---|
| | *1,000 short tons* | *1,000 short tons* | *1,000 short tons* |
| SUPPLY | | | |
| Beginning stocks (Aug. 1) | 2.0 | 6.0 | 3.0 |
| Production | 39.0 | 42.0 | 43.0 |
| Imports | .3 | .1 | — |
| Total supply | 41.3 | 48.1 | 46.0 |
| DISTRIBUTION | | | |
| Exports | 28.3 | 35.0 | 34.0 |
| Domestic disappearance | 7.0 | 10.1 | 9.0 |
| Ending stocks (July 31) | 6.0 | 3.0 | 3.0 |
| Total distribution | 41.3 | 48.1 | 46.0 |

[1] Preliminary. [2] Forecast.

## Record Italian Filbert Harvest

Italy's 1966 commercial filbert crop, previously forecast at a record of 65,000 short tons, in-shell basis, is now estimated at 70,000 tons. The previous high was set in 1965 when 64,000 tons were produced.

Exports during the 1965-66 marketing year are preliminarily estimated at a record 46,000 tons, in-shell basis. Much heavier sales to France, Switzerland, West Germany, and East Germany accounted for much of the increase from the 25,900 tons shipped in 1964-65. Italian export performance during the 1966-67 season depends largely on the effect of very heavy Turkish supplies on the world market. It is questionable whether Italian exports can reach the level attained during the 1965-66 season.

## West Germany Reduces Hops Estimate

Owing to very unfavorable weather during the 4 weeks before harvest, the West German hops crop did not reach previous expectations. According to the official crop estimate of August 24, 1966, about 41.6 million pounds were expected to be harvested from the West German hops growing area totaling 27,000 acres. The latest estimate is 8 percent less than the earlier estimate and only 1.5 million pounds more than the 1965 crop. Harvesting began slowly, early in the fourth week of August.

Excessive rain and local hailstorms interspersed with short periods of sweltering heat during the growing season favored the spreading of downy mildew, which has required as many as 17 sprayings to control. Verticillium wilt also increased; it is estimated that this year about 6 percent of the area under cultivation in the Hallertau was infested. For these reasons it is surmised that the overall quality of hops will not be up to last year's standard.

## Bumper 1966 Brazil Nut Crop Estimated

The latest estimate places Brazil's 1966 harvest of brazil nuts at 49,000 short tons in-shell basis. This does not include some transshipment of Bolivian nuts through Brazilian ports. If the estimate is accurate, this would be second only to the record 1961 harvest of 55,000 tons.

As a result of the large crop, prices for assorted shelled brazil nuts have dropped from 60 cents per pound, f.o.b. Belem, in August 1965 to 40 cents in August 1966; and in-shell naturals dropped from 18 to 12 cents during the same period.

## Large Iranian Raisin Pack Estimated

Iran's 1966 raisin pack is tentatively estimated at 70,000 short tons, possibly the largest ever harvested in Iran. At this tonnage, the 1966 pack would be 23,000 tons larger than last year's short pack and well above the 5-year average (1960-64) of 54,200 tons. Beneficial weather was the main reason for the heavy crop.

The Iranian trade expects sharply increased exports in 1966-67 because of the large crop and attractive prices. Exports may exceed 40,000 tons, against an estimated 27,000 tons in 1965-66.

## Tung Oil Exports Decline

Exports of tung oil from the major producing countries in 1965 totaled 41,447 short tons—11 percent below the 1964 volume but about the same as in 1962 and 1963.

The decline principally reflected reduced movements from both Argentina and Paraguay due to freeze-damaged nut crops. However, these declines were partly offset by increased exports from Mainland China, Malawi, and Brazil. The increase in exports from Mainland China is believed to reflect larger availabilities resulting from increased incentives being offered to harvesters.

Again as in the 2 previous years the United States was the major net importer, taking 11,277 short tons against 14,106 tons in 1964. Imports by other major importers, with 1964 figures in parentheses, were as follows: The United Kingdom 5,906 short tons (5,431); Japan 4,366 (5,341); and West Germany 3,566 (3,678). The bulk of the European imports came from Mainland China, resulting in an increased proportion of South American oil moving to the United States.

Prices for Argentine tung oil in Europe averaged 23.3 U.S. cents per pound, only 4 percent above the 22.4 cents averaged in 1964. Aggregate exports from major producing countries declined by 11 percent.

Shipments from Buenos Aires—which are believed to represent all of the exports from Argentina and Paraguay—totaled 10,821 tons during the January-June period of 1966 compared with 11,911 tons and 13,114 tons in the

same periods of 1964 and 1963, respectively. Although shipments in the first half of 1966 were below those of the comparable periods in recent years, increased availabilities from new crop oil, which is now being shipped in the second half of 1966, could be substantially above those of the comparable period a year ago.

Prices in the first half of 1966 have declined sharply; the present level of approximately 15.5 U.S. cents per pound, basis European ports, is roughly one-fourth below that of August 1965 and the lowest since February 1959.

TUNG OIL EXPORTS FROM SPECIFIED COUNTRIES

| Country | Average 1955-59 | 1962 | 1963 | 1964 [1] | 1965 [2] |
|---|---|---|---|---|---|
| | *Short tons* | *Short tons* | *Short tons* | *Short tons* | *Short tons* |
| Argentina | 17,501 | 18,102 | 17,678 | 20,291 | 13,159 |
| Brazil | 333 | 171 | 1,794 | 398 | 1,100 |
| Paraguay [3] | 3,571 | 3,664 | 6,149 | 5,561 | 4,353 |
| Malagasy Republic | 768 | 566 | 945 | 1,233 | 931 |
| Malawi | 1,039 | 1,376 | 1,360 | 1,398 | 2,200 |
| China Mainland [4] | 48,147 | 17,727 | 13,392 | 17,940 | 19,704 |
| Total | 71,359 | 41,606 | 41,318 | 46,821 | 41,447 |

[1] Preliminary. [2] Preliminary; partly estimated. [3] Based on reported shipments. [4] Import records.

## Pakistan's Rape and Mustard Output Declines

According to final official estimates Pakistan's 1965-66 rapeseed and mustardseed production was 306,900 short tons from 1,565,000 acres; this compares with 338,200 tons from 1,666,000 acres in 1964-65. The decline was due to a 6-percent reduction in harvested acreage together with slightly reduced yields. Production this year is estimated at one-sixth below the average during the 1955-59 period, principally reflecting reduced acreage. About two-thirds of the crop is produced in West Pakistan; yields in this section, however, are significantly below those in the eastern section.

## Mexican Government Buys More Safflowerseed

The Mexican Government food purchasing agency, Compañía Nacional de Subsistencias Populares (CONASUPO), purchased 115,000 metric tons of this year's safflowerseed crop. This is considerably more than the 50,000 tons the agency had been expected to buy (*Foreign Agriculture*, Apr. 18 and Aug. 8). Practically all of the seed purchased will be exported to Japan. Prices received for shipments made thus far have ranged from $115 to $122 per ton, f.o.b. port.

The current estimate of this year's safflowerseed crop is now 220,000 to 240,000 tons. Mexico's 1966 soybean crop, to be harvested in October, is estimated at 120,000 metric tons (4.4 million bu.), double last year's production. Trade sources indicate that Mexico will have an excess of oil in 1966.

## Canadian Rapeseed Output Up, Flaxseed Down

Canadian rapeseed production is expected to reach a new record this year, but flaxseed production is down sharply from last year, according to the September 2 estimates of the Dominion Bureau of Statistics, based on yields indicated as of August 15.

Rapeseed production is placed at 24.9 million bushels compared with the previous record of 22.6 million in 1965. Area seeded at 1,388,000 acres was 3 percent below last year's level, but average yields are indicated at 17.9 bushels per acre, 14 percent above last year's average of 15.7 bushels.

Flaxseed production at the current estimate of 24.0 million bushels will be 18 percent less than last year's 29.3 million. Seeded area at 2,070,400 acres was 11 percent smaller than last year's, and average yields—indicated at 11.6 bushels per acre—are down 8 percent from the 1965 average of 12.6 bushels.

## Philippine Exports of Coconut Products

Registered exports of copra and coconut oil during the first 7 months of 1966, oil-equivalent basis, totaled 518,187 long tons, according to revised data (see *Foreign Agriculture*, Aug. 29, for previous figure). This total was 43 percent—154,656 tons—above the 363,531 tons exported in January-July 1965. Exports of copra rose 43 percent and those of coconut oil, 42 percent.

Exports of desiccated coconut during July 1966 totaled 5,069 short tons. January-July exports were 35,383 tons, down 6 percent—2,178 tons—from the same period a year ago. Of the total, 70 percent moved to the United States compared with 76 percent in the first 7 months last year.

## Malay, Singapore Exports of Coconut Products

Net exports of copra and coconut oil from the Malay States during January-June 1966 were 12,659 long tons, oil basis, against only 6,398 tons in the comparable period last year.

In the same months Singapore's net exports totaled 3,378 tons, oil basis, compared with net imports of 1,564 tons in the first 6 months of 1965.

MALAY, SINGAPORE TRADE IN COPRA, COCONUT OIL [1]

| Item | January-June 1965 | | 1966 | |
|---|---|---|---|---|
| | Imports | Exports | Imports | Exports |
| | *Long tons* | *Long tons* | *Long tons* | *Long tons* |
| Malay States: | | | | |
| Copra | 293 | 4,755 | 931 | 7,821 |
| Coconut oil | 119 | 3,662 | — | 8,250 |
| Total, oil equivalent | 307 | 6,705 | 596 | 13,255 |
| Net exports or imports | — | 6,398 | — | 12,659 |
| Singapore: | | | | |
| Copra | 12,649 | 289 | 13,141 | 1,311 |
| Coconut oil | 2,415 | 8,761 | 898 | 11,847 |
| Total, oil equivalent | 10,510 | 8,946 | 9,308 | 12,686 |
| Net exports or imports | 1,564 | — | — | 3,378 |

[1] Excluding trade between the two territories. Compiled from official sources.

## Dutch Exports of Canned Milk in First-Half 1966

Canned milk exports from the Netherlands in the first 5 months of 1966 were practically unchanged from those in the comparable period of 1965. Exports in January-May 1966 were 266.3 million pounds, compared with 265.4 million pounds in the corresponding period of 1965. The increase occurred despite only a minor rise in sales to the most important market and sharply reduced sales to the next two in importance. Sales during the first half of 1966, with January-May 1965 figures in parentheses, were as follows: Thailand, 37 million pounds (36 million); Burma, 3 million (29 million); and Malaysia, 10 million (22 million).

Shipments to the Republic of the Philippines showed a considerable increase, rising from 5 million pounds in January-May 1965 to 19 million in the same months of the current year. Slightly larger shipments were made to several other Asiatic countries, among them Hong Kong, Aden, Ceylon, and Cambodia.

Overall sales to the principal Western European markets were up 35 percent to 52 million pounds, of which 29 million pounds were sold to EEC countries. West Germany was the heaviest purchaser in this area in both years, taking 24 million pounds, compared with 11 million pounds a year ago. Somewhat larger sales were made to the United Kingdom and Switzerland.

Exports to African countries accounted for approximately 48 million pounds; a year ago, exports were 45 million. Nigeria was the principal market among these countries in January-Mary 1966, taking 16 million pounds —5 million more than last year. There was a slight increase in trade with Tanzania, the Ivory Coast, and Sierra Leone, but some decrease in that with Libya, Ghana, Morocco, and Senegal.

## Denmark's Butter Exports Rise

Denmark exported 146 million pounds of butter in the first 7 months of 1966, 5 percent and 11 percent more than in the same period of 1965 and 1964.

Exports to the United Kingdom—91 percent of the total at 133 million pounds—were 9 million pounds more than last year. Sales to West Germany, Denmark's second largest customer, were 4 million pounds; in the same period a year ago, sales were 2 million pounds. Shipments to Iran, Iraq, Kuwait, and Lebanon, which accounted for most of the remainder, were slightly above the earlier year.

Exports of cheese at 94 million pounds were the same as in 1965 but about 10 percent less than those of January-July 1964. Purchases by West Germany amounted to 46 million pounds, 2 million more than last year. Denmark shipped 12 million pounds to the United Kingdom and 6 million pounds to Sweden in both years. Italy's purchases declined 1 million pounds to 4 million. No sales were made to the USSR, which in January-July 1965 took 7 million pounds.

## Malawi Sugar Project Opened

Malawi opened an $8.4 million sugar factory in August, culminating a 3-year project and putting the country a step closer to supplying all of its own sugar needs. Net imports in 1965 amounted to about 22,000 short tons, with Rhodesia the principal supplier.

The more than 3,000 acres of land at present under cane will be up to 4,300 acres by October. By next year, the new estate is expected to yield some 25,000 metric tons (27,500 short tons), which would supply all of Malawi's needs and leave about 5,000 metric tons (5,500 short tons) for export.

## Antigua Stops Sugar Production

The Antigua Sugar Factory Board of Directors recently announced that because of serious losses sustained, the company is unable to continue its sugar operations beyond the end of the present crop. The crop this year is estimated at about 9,000 short tons of sugar, little more than 25 percent above the 1957 high. The continuing lack of rain for the past 7 years has dealt the Antigua sugar industry its hardest blow in its 62-year history. A team of experts has been carrying out an urgent survey of the sugar industry and will make recommendations on measures and costs to continue sugar production.

## Nigeria Raises Cocoa Producer Prices

Prices to be paid Nigerian cocoa farmers for the 1966-67 main crop have been set at N£ 90 per long ton (11.25 U.S. cents per lb.) for Grade 1 and N£ 75 per ton (9.38 U.S. cents per lb.) for Grade 2 cocoa beans.

For Grade 1 cocoa, growers received 8.1 cents per pound during the 1965-66 season and 15 cents per pound in 1964-65.

## Tanzanian Clove Production and Trade

Tanzania's clove crop for the July-June 1965-66 season amounted to 16,742 long tons, up from the off-year 1964-65 outturn of 3,803 tons but still under the bumper 1963-64 harvest of 19,800 tons. (Clove trees bear heavily on a biennial cycle basis.)

Clove exports in the 1965-66 period reached 14,891 tons, compared with 9,791 tons during the previous season. Indonesia was the largest recipient with 9,687 tons, followed by India, the USSR, and Pakistan with 1,294 tons, 1,020 tons, and 447 tons, respectively. U. S. purchases amounted to only 112 tons, since U. S. importers buy most of their requirements from the Malagasy Republic.

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# Highlights of the Agriculture and Trade of Peru

**Resources.**—Peru is the third largest country of South America, with an area of 506,000 square miles. About 16 percent of the total land area is used for agriculture. Population, growing at an annual rate near 2.5 percent, reached 11.6 million in 1965. Agriculture employs approximately one-half of the labor force and contributes 21 percent of gross national product, estimated near $265 per capita.

**Agriculture**—Since 1962, agricultural output has continued at a level of about 20 percent above the 1957-59 average, according to the USDA index. Peru's cultivated lands approximate 2.5 percent of the total area and pastures 8.2 percent. Crops provide for over three-fourths of the total agricultural output. Cotton, sugarcane, and rice—the principal irrigated crops of the coastal region—with coffee, account for about one-half of the total value of crop production. Wheat, barley, corn, and potatoes—grown principally for local use in the Andean highland region—represent another 23 percent. Dairy production comprises two-thirds of the total value of livestock output and beef 23 percent.

**Food situation.**—Rising incomes have encouraged some rise in consumption levels during recent years. However, daily caloric intake averaged only 2,060 per person for 1959-61 and protein intake 1.8 ounces—both below desirable nutritional standards. Consumption of animal products is rising slowly but still accounts for less than 10 percent of daily caloric intake compared with three-fourths of the total provided by cereals, starchy crops and sugar.

**Foreign trade.**—Peruvian trade is strongly oriented to markets in the United States, Europe, and Latin America. Expansion in fisheries and minerals output encouraged rapid growth in exports which increased from $281 million to $666 million from 1958 to 1965. Fishery products, principally fishmeal, make up one-fourth of total exports. Cotton, sugar, coffee, and other agricultural products account for one-third of the total.

Agricultural products have assumed greater importance in a growing import trade and accounted for 17 percent of the total, valued at $571 million, in 1964. Wheat, slaughter cattle and meat, fats and oils, and dairy products have accounted for major gains in agricultural imports.

**Agricultural trade with the United States.**—The United States provides the major market for Peruvian sugar, coffee, hides and skins. In 1964, agricultural exports from Peru to the United States were valued at $70 million, or 32 percent of total Peruvian agricultural exports. The total value of Peru's agricultural imports from the United States rose from $22 million in 1958 to $36 million in 1964, when it was 22 percent of Peru's total agricultural imports. Principal U.S. agricultural commodities imported by Peru are wheat, animal fats, vegetable oils, dairy products, and processed fruits and vegetables. Argentina is the principal U. S. competitor in the Peruvian market, particularly for wheat and animal products.

**Factors affecting agricultural trade.**—Peruvian coffee exports are limited by quotas established by the International Coffee Agreement, fixed at 34,000 metric tons for 1965-66. Expansion in cotton and sugar exports may be slowed by lower prices prevailing in world markets. These limitations upon export earnings may encourage Peru to restrict imports of food and other agricultural products.

Peru's foreign trade is comparatively free of quantitative restrictions. Some agricultural products, including wheat, are imported free of duty, as necessary, to maintain domestic price at reasonable levels. Substantial upward revisions were incorporated into import duties for most agricultural products in 1964. With these revisions, effective duties range from 10 percent of c.i.f. value on commercial imports of beef, mutton, and wheat to 30 percent or more for corn, rice, fruits, and most processed agricultural products. Argentina, Chile, and other members of the Latin American Free Trade Association are provided special tariff concessions in the Peruvian market for grains, animal products, vegetable oils, and fruits.

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